

TSG-SITE PROJECT

**REVIEW OF FREE ZONE APPLICATION
PROCESS AND DEVELOPMENT OF
INITIAL MIS TRACKING PARAMETERS**

USAID Contract No. 294-C-00-98-00110-00

Prepared

April 1999

for the

United States Agency for International Development

and the

Palestinian Industrial Estate and Free Zone Authority

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1. Introduction

1.1 Background

This report represents a follow-up assignment to an initial application procedures assessment conducted by Mr. Vincent Ruddy in November 1998 under the TSG-SITE project's STTA component. This initial assessment was conducted at a time when PIEFZA had received seven industrial estate enterprise applications, none of which had been approved. In addition, uncertainty remained regarding the exact functions and purpose of the application process, and the information collection required.

Since then, PIEFZA has received additional applications, and has accelerated and formalized its internal application processing system. Fourteen applications have been submitted, and nine industrial estate enterprises have been registered. Registration delays have been reduced, and the application document has been slightly revised. In addition, Mr. Ismail Abu Shehada has been appointed as Operations Manager.

It is anticipated that the application/registration system developed by PIEFZA for GIE enterprises will be expanded to new PIEFZA estates and zones as they are established. For this reason, development of an effective and expandable system is an important priority now, when the actual volume of GIE investors is still quite low.

1.2 Objectives

This technical assistance activity, in conjunction with the MIS/database specialist and the appropriate PIEFZA members, develops a proper application tracking system. This is accomplished through three tasks:

1. Evaluation of the application process
2. Development of the basic tracking document
3. Coordination with the MIS/database specialist in developing materials needed for training

2.1 Review of Existing Procedures

To date, 17 companies have expressed interest in applying for enterprise certificates, 13 have submitted applications, and nine companies have been registered. While this volume of workflow does not allow for statistically significant quantitative analysis, figure 1



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nonetheless illustrates several changes in the registration process over time.

The first applications received by PIEFZA in the summer of 1998 were delayed for some time, due to factors that included delay in passing the free zones/ industrial estates law¹, absence of an application processing structure, and uncertainty regarding the need for applicants to obtain a lease in the GIE prior to submitting their applications.

Since December 1998, processing times for environmental applications has been reduced dramatically, to about one week. This significant improvement can be attributed to the development of a close working relationship between PIEFZA's Environmental Liaison Officer and his counterparts at SMENA. This administrative relationship has been forged at a time when all environmental applications have fallen into "category A – clean industry". This working relationship has not yet been tested with category B or C applications, which would require an Initial Environmental Evaluation (INEE) or an environmental impact assessment (EIA), and entail additional PIEFZA/SMENA coordination.

Delays for processing technical applications have been reduced more gradually, and some outstanding applications have been in process for three months and more. According to PIEFZA staff, these delays are caused primarily by the applicants, who are sometimes slow to submit required application fees, options on GIE land, or notarization of their signatures on the application document.

PIEFZA staff perceive these delays as a function of the type of applicant that has characterized the first wave of GIE investors: Small, family-owned companies that oftentimes lack the basic business skills or even literacy to fill out the application completely and correctly. In fact, a substantial amount of PIEFZA processing time is spent assisting these investors in filling out the applications, and investors are routinely asked to fill out a rough draft of the application that is then corrected informally, rather than channeling them immediately through the official revision/ 3rd party appeals process set out in the PIEFZA Standard Operating Procedures Manual (SOP).²

¹ Law No. 10 for the Year 1998, Free Industrial Cities and Zones.

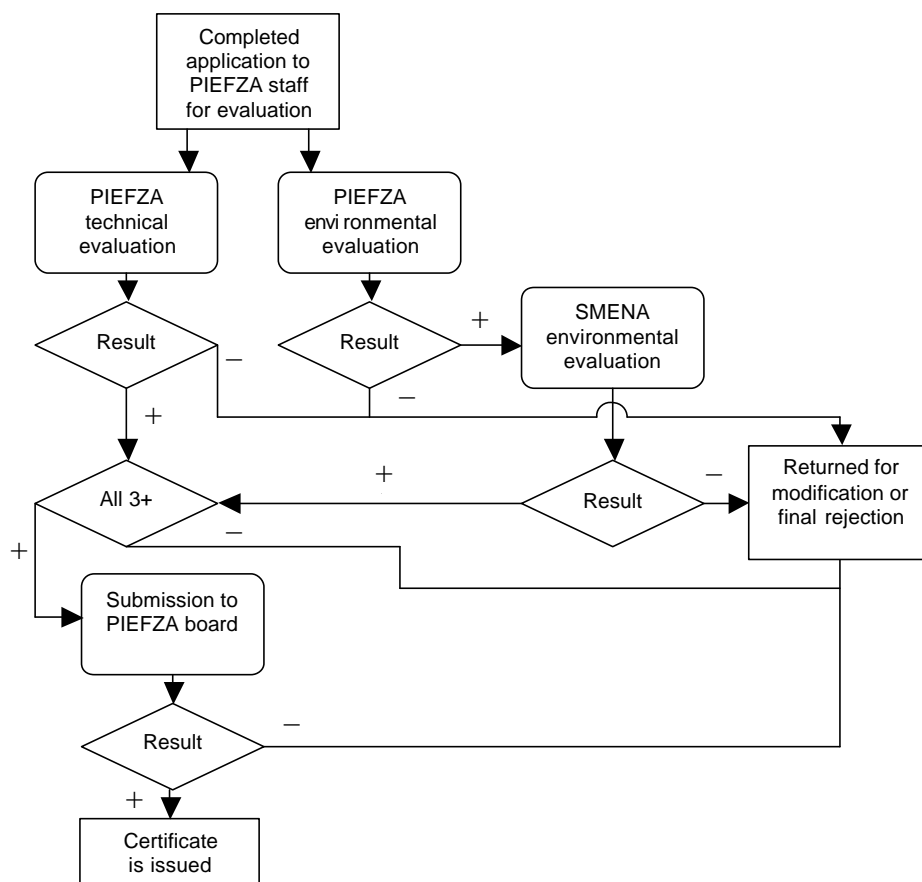
² Palestinian Authority for Industrial and Free Zones, November 1997.

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The SOP's IZ/FZ enterprise designation process³ does not in detail spell out the actual application evaluation procedures, and instead delineates the broader system for application submission, revision, evaluation, modification, and approval/ rejection. Figure 2 illustrates the "PIEFZA Staff Evaluation of Application" step in more detail.

This evaluation process has evolved in that it clearly differentiates between "technical" aspects of the application and "environmental" considerations. This distinction is not only internal to PIEFZA – rather, the investor is asked to fill out two distinct applications. These two applications are very redundant and detract from the

Figure 2: Existing Application Evaluation Flowchart



³ PIEFZA SOP, page 22.

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one-stop investor interface image PIEFZA has been developing.
These information requirements are as follows:

Technical Application

General

Date
1st/2nd request
Industrial estate name
Name
Application No.
Registration No.
Nationality
Type of corporate entity
Official representative
Power of attorney
Economic activity

Ownership

Shareholders (>10%), nationality
Shareholder identification
Subsidiaries
Board of directors' composition
Articles of association

Factor Information

Fixed capital summary
Land requirements
Lease contract or MOU, plat
Labor force

Production Information

Equipment and machinery
Raw materials/inputs
Utilities
Local supplier network
Factory layout & process

Environmental

Environmental impact statement

Financial

Registered capital
Paid capital
Funding sources

Market Information

Market (by product)

Administrative

Application fee receipt

Environmental Application

General

Date
Date received
Date (liaison)
Industrial estate name
Governorate
Application No.
Name
Received by
Liaison
Estimated start-up date
Official representative
Economic activity (products)

Ownership

Owners

Factor Information

Labor force

Production Information

Equipment and machinery
Fuels and usage
Fuel storage
Raw material attributes
Raw material storage
Output
Production process description
Hazmat description
Hazmat usage
Hazmat storage/safety
Laboratory description, if any
Water consumption by type
Peak water demand

Waste/Pollution

Haz. waste storage/disposal
Solid waste quantity/disposal
Infestation danger
Wastewater discharge
Pretreatment
Wastewater characteristics
Periodic wastewater monitoring
Noise pollution & control
Gas/dust/odor emission, toxicity

Health & Safety

Gas/dust/odor control, protection
Safety equipment

Evaluation

Opinion of PIEFZA

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The need for a separate environmental application stems from PIEFZA's relationship with SMENA. PIEFZA cannot independently approve environmental applications, but makes recommendations to SMENA regarding individual applicants. SMENA then processes the application based on the category (A, B, C) into which the proposed investment falls, and issues a third document approving or disapproving the application on environmental grounds.

Despite this formal separation of the technical and environmental aspects of the evaluation process, the actual distinction between the two is blurred in several respects. First, both PIEFZA evaluations are currently undertaken by the Environmental Liaison Officer and his assistant, so that no real distinction in terms of PIEFZA information flow occurs (even if such a distinction were necessary). Second, the GIE Environmental Manual that serves as the basis for the environmental evaluation contains three broad evaluation criteria, including low pollution/waste generation, low water usage, and high labor intensity.⁴ Even if labor intensity were a meaningful evaluation criterion, it would be inappropriate to apply it in the environmental application process after that process has been formally separated from the technical evaluation.

In fact, PIEFZA is still officially committed to evaluating all applications only against the five "negative" criteria set out in the SOP – that is, to approve all applications unless they meet one or more of the conditions set out. These conditions are:

1. The enterprise would have a serious deleterious effect on the environment.
2. The firm is not sufficiently export-oriented (for firms seeking FZ enterprise certification only).
3. The enterprise would have a serious deleterious impact on the security of the country.
4. The applicant(s) has a known record of criminal activity.
5. The enterprise would greatly overburden existing infrastructure or would require an unacceptable amount of government investment to build necessary infrastructure.

⁴ Gaza Industrial Estate Environmental Manual, January 27, 1999.

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No application received to date has been rejected on these grounds. Applications that have not been approved have been returned as incomplete rather than rejected during the application process. However, this should not be perceived as a function of the current investor base: Even small, family-owned investments can pose environmental risks if they lack adequate mitigation strategies and equipment, or be made by persons with criminal histories. Application of these criteria is thus critical to the ongoing evaluation process.

The actual information required by the two applications serves a number of purposes, some of which are directly related to the five negative evaluation criteria and some of which serve either informational/ data collection or no apparent purpose. Table 1 illustrates the current data collection strategy by function.

Table 1: Existing Application Functions

Category	Technical Application	SMENA Application	Data Collection
General	○	○	○
Ownership	○		○
Factor Information	○		○
Production Information	○	○	○
Environmental/pollution		○	○
Health and Safety		○	
Financial Information			○
Market Information	○		○
Administrative	○		

In contrast to the redundant data collection inherent in the two separate but overlapping technical and environmental applications, the actual functions that different information categories serve in the evaluation process are more limited. In addition, the data collection strategy tends to be expansive, often encompassing levels of detail not necessary for the evaluation process. This is partially explained by a desire by PIEFZA to use the application process as an information monitoring opportunity, to measure the GIE's investment and growth pattern over time. However, it is also apparent that much of the detail required in the application is not intended to support the IE enterprise certification process, and instead anticipates the need for future construction and operating permits. Collecting such information at the initial application is neither efficient nor appropriate, since it requires

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detailed construction planning at a time when the investor is not yet assured that he will be able to invest in the GIE at all.

The legal and regulatory sources of the existing data collection strategy is largely discretionary. As is summarized in table 2, the IE/FZ law does not specify either enterprise evaluation criteria or the information against which such criteria might be applied. The law only states that an application is to be submitted to PIEFZA's executive director, and outlines time limits for board approval/disapproval. Most of the actual data collection undertaken follows from the SOP. However, in many cases, actual information requirements in the application are more detailed, and can only serve data collection purposes.

Table 2: Existing Application Function Requirements

Category	IE/FZ Law	GIE MOU	SOP	Data/Info
General	○	○	○	○
Ownership			○	○
Factor Information			○	○
Production Information			○	○
Environmental/pollution		○	○	○
Health and Safety		○		○
Financial Information				○
Market Information			○	○
Administrative			○	

While this structure seems to leave PIEFZA with significant leeway to fine-tune systems by revising the organization's SOP, some of the GIE-specific memoranda of understanding (MOU) concluded with other parties make this revision process more complex. For example, PIEFZA staff believe that existing agreements with SMENA and the Israeli government regarding the GIE Environmental Manual (to which the existing application is annexed) make any changes to the environmental application difficult. However, such changes are already required, if only to eliminate the labor intensity requirement from the manual. PIEFZA's application is also intended.

In addressing these potential GIE MOU conflicts, it must be remembered that PIEFZA is putting into place a Palestinian IE/FZ program that requires a standard, Palestine-wide enterprise certification process. This process should accommodate the requirements of different industrial estates, not just the GIE.

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2.2 Streamlining the Application Process

The application process will become more complex over time. Application inflows will increase, applications will become more complex, and investors will be able to choose among competing industrial estates/ free zones. As MOUs are concluded with other government agencies, PIEFZA will take on responsibility to perform additional permitting and facilitation functions through the one-stop-shop, which will in turn increase the range and frequency of data collection and analysis.

This increased complexity requires formalization and standardization of the current personality-driven, *ad hoc* application process. This change over time should be anticipated with a streamlined application process that:

- Limits information collection from investors to data required for clear decision making or analytical processes
- Phases information collection over time to ensure that the data are accurate, relevant, and meaningful
- Is based on a clearly articulated and transparent decision making process that is understood by the investor
- Allows the investor and the estate developer to manage their relationship in a flexible manner over time
- Allows PIEFZA management to track enterprise and industrial estate growth and development over time
- Ensures that PIEFZA can demonstrate compliance with all applicable laws, regulations, and MOUs

Under the current application system, in which the Environmental Liaison Officer performs the bulk of the application-related work, the immediate steps necessary for streamlining the existing system include:

Rationalizing data collection. The wealth of information currently collected from investors during the application process should be rationalized in two ways: Information collection should be limited to data for which PIEFZA has an explicit need, and information collection should be phased over the investment lifecycle rather

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than concentrated up-front at the application phase. Rationalizing data needs involves both adding/removing individual data fields and fine-tuning existing ones, in terms of level of detail, units of measurement, multiple choice answers, etc.

Revising application documents. Another priority is to revise the physical applications that the investor must fill out to qualify for the industrial estate/free zone enterprise certificate. This revision should standardize data collection, eliminate redundant information requirements, and limit information requirements to those that are relevant at the initial application phase. The revised application should also convey to the investor the purpose of the various data fields, both to solicit appropriate responses and to reassure the investor that the application will only be evaluated against the five criteria specified in the SOP.

Strengthening reporting functions. Sufficient application data exist now to track the application approval process and undertake some basic analysis of PIEFZA performance and IE/FZ investment interest and growth. These basic functions should form the core PIEFZA tracking system, to which additional modules (such as sales lead management, resource tracking, and more advanced performance monitoring/benchmarking) can be added over time.

As the number of applications, staff working with approvals, and industrial estates increases over time, the application system should be further refined through:

Expanding workflow tracking and performance monitoring. Once the application volume and complexity increases, performance monitoring can be expanded to statistical workflow analysis, individual staff performance reviews, and resource tracking.

Integrating the process with other PIEFZA functions. As the marketing and investor aftercare functions are established and formalized, the application processing function can be expanded to mesh seamlessly with new PIEFZA responsibilities.

Establishing links with other PNA agencies. Ultimately, other PNA ministries and agencies working closely with PIEFZA should input and process information directly into the tracking system.

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The remainder of this section evaluates the current data collection system and makes recommendations for streamlining the process. The following section addresses the need for a new application document. Reporting and monitoring issues are dealt with in chapter 3, as part of the tracking system user requirement discussion.

The existing PIEFZA data collection strategy is based on the technical and environmental applications for the IE/FZ enterprise certificate. As outlined in the previous section, the data collected in these two applications overlaps significantly by functional area. Furthermore, the level of detail required in many of these areas exceeds those required for an IE/FZ enterprise certification process. Actual information requirements in these different functional areas, the purpose of these requirements, and the role they should play in the application/investment process are discussed in turn below.

General Information

Both applications require general information including submittal date, application number, and basic contact information. This includes information to be provided by the applicant and/or SMENA, though this division is not always clear. Some duplication in information fields exists even within applications. In addition, some information such as the governorate in which the industrial estate/free zone in question is located serve no apparent purpose at all.

General information provides basic information required to file and process applications. Changes should be confined to:

- Avoiding duplication, both among and within applications.
- Focusing on information that can only be provided by the applicant and not by PIEFZA.

Much of the general information required by PIEFZA during the application process will also be relevant to other investor tracking modules – for example, investor sales lead information will eventually link to the application tracking module in this way. In addition, some general information (such as geographic origin of investment) will also serve to monitor aggregate investment inflows, and to develop some basic performance indicators (such as investment generation by market versus promotional resources expended).

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Ownership Information

Both applications ask for an itemized breakdown of company ownership, though only the technical application limits this to entities with equity shares in excess of 10 percent. Both applications also require identification of an authorized representative. The technical application adds a number of information requirements including any subsidiary companies, identification of board members, backup documentation to identify the shareholders listed, and a notarized copy of the articles of association.

The purpose of collecting ownership data is to evaluate the application against the fourth criterion listed in the SOP – determining whether the applicant has a known record of criminal activity. The information collected here does not in itself form the basis for making this determination, but is intended merely to identify individuals and firms that are to be investigated, based on publicly known information and local police checks. This process can be carried out in a slightly simplified manner:

- An official representative should be designated only where this person differs from an individual applicant.
- A breakdown of subsidiary companies should not be required.
- Information regarding and investing company's board of directors and company officers should be required only where applicable to the type of firm applying for the certificate.

Systematic collection of additional information regarding company ownership will not be necessary to support additional tracking modules in the future. However, in some cases, more detailed ownership structure research may be required to support specific marketing activities.

Factor Information

Both applications require labor force information, and the technical application includes a level of detail including number of shifts broken down by gender, salary, skill level, nationality, and permanent/temporary classifications. The technical application also requires a detailed breakdown of land requirements (including building type), the investor's registered and paid capital, and fixed capital for the project (including land, buildings, equipment and machinery, transportation equipment, and furniture).

The purpose of collecting this information is for general informational purposes only, to monitor and project growth in the

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IE/FZ program – it is not directly required for evaluating any of the five criteria outlined in the SOP. In accomplishing this data collection function, the labor force breakdown required is excessively detailed, and in some areas (such as gender and salaries) requires the investor to make rule-of-thumb projections that are no more accurate than estimates that PIEFZA can make internally. The land requirements are also too detailed, especially because the applicant is required to submit an MOU with the IE/FZ developer stating that a specific property has already been identified – thus obviating the need for PIEFZA to reconcile investor demand for land with available properties. Information regarding project capital is important to monitor IE/FZ growth, and over time serves as a basis for granting and continuing approval of investment incentives, which are tied to total investment in the project. General information regarding the investor's registered and paid-up capital is not necessary on the application, since PIEFZA does not undertake evaluations of project viability, and investors are required to register as Palestinian companies prior to formal IE/FZ certificate application. Streamlining of factor information collection should thus be limited to:

- Simplification of labor information in the application stage.
- Simplification of land requirements in the application stage.
- Simplification of capital information in the application stage.

PIEFZA will, however, want to collect more detailed information on the composition of the labor pool within IE/FZs to report on the regime's growth and progress over time. This information, along with changes in land/building occupancy and level of investment/disinvestment should be captured and tracked in subsequent enterprise surveys on an actual basis, independent of the application process.

Production Information

Both applications require a wealth of information to describe the proposed production process. This includes detailed inventories of all equipment and raw materials, projections of output for each product and market, projections of utility and fuel consumption, and a description of the production process.

This information is used for a variety of purposes: It (along with waste/effluent information described below) is used to determine the need to examine the investment's potential impact on the

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environment; to determine export orientation for free zone firms; to determine whether the investment could adversely affect Palestine's security; and to determine whether the investment's infrastructure requirements are compatible with the IE/FZ location in question. As such, this description of the production process represents one of the core information requirements against which the SOP evaluation criteria are applied. While some of the data collection can be simplified in the application process (such as specific raw material suppliers), the detail of information currently collected is necessary to credibly demonstrate compliance with enterprise application criteria. In addition, the detailed machinery and equipment listing, while not strictly related to the application process, is necessary to allow PIEFZA to perform its facilitation role in admitting machinery and equipment into the IE/FZ on a duty- and tax-free basis. Because compliance with these various requirements entails a very detailed description of the production process, and because these information requests do not apply uniformly to all types of potential IE/FZ investors, the application should be presented in a way that avoids creating the appearance of an overly bureaucratic evaluation process. This can be achieved by:

- Stating clearly on the application what the evaluation criteria are.
- Acknowledging on the application that all information requests do not apply uniformly to all investors.
- Acknowledging that investors need only use their best judgement in projecting information that has not yet been established for the investment.

This production information is directly relevant to PIEFZA's subsequent IE/FZ monitoring and facilitation functions. As PIEFZA takes on responsibility for new construction and operating permitting functions, periodic updating and expanding of the initial data submitted during the application will become a key part of PIEFZA's work. In addition, continued monitoring of export performance of FZ enterprises and tracking of expansion investments over time need to be linked to the application tracking module.

Environmental Information

In addition to a description of the production process in general, the environmental application collects information regarding waste storage and disposal, water usage, wastewater discharge characteristics and pretreatment, and noise and airborne pollution.

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This information is required to evaluate the investment's impact on the environment, as required by the SOP's first evaluation criterion. However, the data collection strategy currently in place reflects a front-loaded approach in which the investor is asked to identify all possible emission sources and propose mitigating measures prior to evaluation of the application by SMENA. This approach is confusing to investors in type A "clean" industries without simplifying the application process for type B and C industries. To streamline this process, the evaluation should:

- Concentrate on identifying the potential emissions sources inherent in the proposed investment.
- Use that information to classify the investment as falling under type A, B, or C.
- Relegate discussion of mitigation measures to the subsequent IEE/EIA process that is already part of the application process.
- Qualify some data fields (i.e. limit wastewater breakdown to discharges in excess of a minimum discharge threshold).

During the application process, PIEFZA (in cooperation with SMENA) seek to establish the environmental compatibility of the investment with the IE/FZ in question. Approval of the investment at this stage represents only the first step in an ongoing environmental monitoring process. The environmental approval of the investment at the application stage thus represents the starting point for a broader environmental monitoring system that should be integrated with the application tracking system over time.

Health & Safety Information The environmental application contains a number of information requests related to the overall health and safety considerations related to the investment. These include exposure of pregnant women to pollutants, use of protective clothing, and exact locations of fire alarms and fire fighting equipment, fuel and hazardous waste storage locations and handling methods, and a production facility floor plan that identifies the location of production equipment.

This information is not required to demonstrate compliance with the five SOP approval criteria, nor does it assist PIEFZA in monitoring the progress of the IE/FZ program. Addressing compliance with applicable health & safety codes during the application process is premature. This does not mean that health & safety issues are not

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of concern, but rather that such compliance should be certified during the project's start-up phase. For PIEFZA, this means that:

- Health & safety information should not be included in the application.
- Investors should merely be informed what the applicable health & safety codes are.
- Health & safety compliance should be monitored after project start-up, in line with the MOUs PIEFZA is currently negotiating with related ministries.

In the future, the PIEFZA tracking system can be utilized to schedule and record the process of the ongoing inspection system.

Financial Information

In addition to the sources of capital discussed above, the technical application collects information regarding the sources of financing for the investment.

Because PIEFZA is not charged with assessing the financial viability of investment projects, information on financing is undertaken for informational purposes. This is important in tracking geographic investment sources, particularly in differentiating between local Palestinian and "foreign" Israeli investment, both of which are denominated in NIS. To facilitate this, the application should:

- Track both equity and debt financing by geographic source.

This information should be updated regularly, to track investment/disinvestment in the IE/FZ program over time

Market Information

As discussed briefly above, the technical application asks for a breakdown of markets for each product – export, Israel, West Bank, or Gaza.

These projections are required of the investor to demonstrate how the project intends to meet the 80 percent export requirement placed on free zone enterprises. For industrial estate enterprises, this information is collected for general informational purposes only. In order to generate a more complete picture of the IE/FZ program's export performance, the application should:

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- Identify the major export markets by country, rather than aggregating a single “export” percentage.

Tracking shifts in export performance over time will both help to monitor IE/FZ performance and target PIEFZA’s marketing activities.

Administrative Information

The technical application also has several administrative requirements. These include submission of the application fee receipt, a power of attorney for the official company representative, notarized signature, and a notarized copy of the articles of association. The environmental application is currently submitted separately.

As pointed out above, the duplication inherent in the submission of separate technical and environmental applications represents the main inefficiency of the current application system. However, SMENA staff have indicated that a copy of a single, unified application submitted to PIEFZA is not sufficient documentation for SMENA approval. If this remains SMENA’s position, then PIEFZA should:

- Either submit the original portion of the new application that deals with environmental considerations; or require the investor to submit two copies of the application with original signatures.

This issue will be complicated as PIEFZA concludes additional MOUs with other ministries. As these MOUs are concluded, PIEFZA should either negotiate that copies of applications are acceptable for internal processing as long as an original is submitted to PIEFZA; or PIEFZA should produce notarized copies of applications internally, for distribution to other ministries.

2.3 Revising Application Documents

In order to streamline the current application system in line with the recommendations made above, it is first necessary to re-design the basic investor application that provides the core information that is to be incorporated into PIEFZA’s application tracking system. This new application should:

1. Combine the technical and environmental application into a single document to be completed by the investor.

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2. Standardize the information collected in the two applications in terms of units and categories.
3. Eliminate data fields that are not appropriate for the application stage.
4. Be designed to mesh with a questionnaire that investors are asked to complete periodically after start-up.

This new application represents a streamlining of an existing data collection strategy already employed by PIEFZA. That strategy is being adjusted here for integration with a tracking system that will expand PIEFZA's ability to collect and evaluate relevant information about individual enterprises, estates/zones, and the IE/FZ program as a whole. In streamlining this strategy, it is also important to recognize that entrepreneurs may be hesitant when asked to provide detailed information about their activities to government agencies. It is also PIEFZA's experience that many smaller entrepreneurs are intimidated by filling out a long application that seems geared to large corporate investors. To address these perceptions, the new application should be divided into four parts that clearly state whether information is being used for:

1. General information
2. Technical evaluation, according to the SOP's five criteria
3. Environmental evaluation
4. Statistical information to assess IE/FZ program growth

Annex A contains a proposed application to be used as the basis for the new tracking system, as well as a proposed questionnaire to update important information over time. The next chapter describes how this information is to be collected, integrated, and analyzed in the new PIEFZA tracking system.

3. Data Tracking System

3.1 Rationale for Data Tracking System

The purpose of an electronic data tracking system in the industrial estate / free zone regulation and management context centers on the need to interact with a large number of potential and actual investors through a series of related stages in the investment life cycle. Traditionally, tracking systems have developed as tools for investment promotion agencies to seamlessly manage investor contacts and follow-up work from cold call lead to investment applicant. Over time, many of these systems have been expanded through forward integration into the actual investment application/approval and start-up phase as investment promotion agencies have learned that effective investor follow-up and aftercare services also represent a major source of potential investment.

In the case of PIEFZA, which currently lacks an effective investment promotion function, the introduction of the tracking system will be initiated in the middle of the promotion-investment-aftercare cycle. This is not a problem in and of itself: The tracking of investments from the application phase onward can be implemented effectively as long as the underlying data collection strategy and tracking system architecture supports integration of the initial, limited tracking function with additional functions over time.

This integration of tracking system functions is a process based on the assumption that PIEFZA manages its interaction with investors as customer relationships that develop and deepen over time. As table 3 illustrates, such a tracking system is guided by the assumption that the organizations follows marketing leads, develops potential investor relationships, assists investors in evaluating specific opportunities through data provision and site visit planning, receives and processes applications, supports investors through licensing and project start-up, and continues to work with investors over time to maximize re-investment, involve existing investors in promotion activities, and plan IE/FZ development over time to meet the needs of both the existing and potential investor base. The underlying rationale of linking the data collection steps required by these tasks through an electronic tracking system is that such a system will support PIEFZA's broader goal, to effectively identify, attract, and locate investors on an individual, "account executive" basis.

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Table 3: Role of Application in Overall Tracking System Information Flow

Category	Investor Lead	Investor Inquiry	Site Visit	Technical Application	SMENA Application	Approval	Construction	Operation
General company information	✓							
Contact information	✓	✓						
Specific interest		✓	✓					
Personal details			✓	✓	✓			
Itinerary			✓					
Specific project information				✓	✓	✓	✓	✓
Approval conditions						✓	✓	✓
Construction Progress							✓	
Start-up progress								✓
Investor aftercare								✓

3.2 Immediate Tracking Requirements

PIEFZA currently employs a basic data tracking system based on physical investor application files and simple Microsoft Word-based tables that are periodically compiled and updated to provide consolidated reports on the timeline progress of individual applications and projected investment and employment figure summaries. Because of the reliance on a word processing package, the information is only compiled by hand, so that even simple arithmetical operations (such as calculating processing delays or total job creation) have to be performed manually. This information is maintained on a single PC. PIEFZA is currently installing a LAN that will enable staff to share access to existing files.

PIEFZA's current system has been able to deal with the low existing volume and complexity of applications. Delays that have been identified through the application process tracker are generally attributed to the investor's inability to complete the applications properly. The existing workload is currently performed by the Environmental Liaison Officer, with the assistance of one additional Environmental Officer, so that ongoing communication with investors, application progress monitoring, and related facilitation is

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managed and scheduled on a personal basis that relies more on individual institutional memory than on robust, transferable systems.

While this existing “system” is simple, it has served PIEFZA well to date. The responsible staff are capable and motivated, and have achieved significant progress in processing and approving applications over the past five months. The purpose of introducing an electronic tracking system at this point is warranted for two reasons. First, the tracking system will help PIEFZA staff to do their work more easily by freeing them from manually tracking data and calculating report summaries. Second, it will greatly expand PIEFZA’s ability to handle an anticipated increase in application volume and complexity. The organization now has the opportunity to design, install, and operationalize a tracking system in anticipation of this increased workload, rather than doing so in response to an actual application processing crisis in the future. Once the system is in place, it can easily be expanded to accommodate additional PIEFZA function as they are added – especially the crucial investment promotion function that will eventually feed into the application processing function.

Because the tracking system is intended to expand over time, it should be developed as a relational database from the outset, both to avoid translating more simple spreadsheet data in the future and to allow PIEFZA staff to go through a “learning by using” process as the tracking database is implemented. PIEFZA PCs are new and already loaded with Microsoft Access, which may be the logical software solution for this application. In designing this database, it is important to recognize that the tracking system is not primarily an electronic storage medium for information contained in the applications. As table 4 illustrates, the database’s real value lies tracking that information over time against the requirements and resources of PIEFZA and related Palestinian government entities.

Table 4: Tracking Database Data Sources

Data Source	Data Type
Investor	Raw application data
PIEFZA	Application data coding Processing staff assignments Application processing status
SMENA	Processing staff assignments Application processing status IEE/EIA requirement/completion status

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PIEFZA's user requirements at this stage are to track the activities of the investor, PIEFZA, and SMENA against the application approval process. To accomplish this, the tracking database should capture critical **raw application data** provided by the investor, including all data that are critical to routing the application through the evaluation process and data that can be drawn upon to provide summary reports. This includes:

- Name, contact information, and nationality of investor
- Industrial estate or free zone name
- Investor corporate entity type
- Investor's registered and paid-up capital
- Fixed capital investment breakdown
- Financing source breakdown and national origin
- Under-roof and open area land requirements
- Projected employment
- Utility requirements
- Export market projections
- Projected wastewater discharge (m³)
- Projected solid waste generation (kg)

Based on this raw application data, PIEFZA staff will supplement the paper application with some **data coding**. The coded data that should be captured by the tracking database includes:

- Application number
- All relevant dates of submittal/receival (internal and external)
- Type of application (1st or 2nd)
- ISIC codes of main economic activities to be undertaken
- Projected value of annual output, by ISIC product code
- Projected value of annual inputs, by ISIC product code
- Environmental classification
- IEE/EIA processing details
- Submittal of supporting documentation (boolean)

In addition, the database should include information on all critical application **processing steps** and their status, including:

- Submittal of complete application
- Applicant criminal record check
- 80 percent export criterion, where applicable
- Determination on impact of investment on security

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- Determination on impact of investment on infrastructure
- Determination of impact of investment on the environment
- Application modification requests and compliance
- Application appeals process status
- Final finding re. certificate (positive or negative)

For all application processing steps, the database should track responsible PIEFZ and SMENA **staff assignments** to determine who is responsible for moving the application forward. The database should allow for “description/next step” fields to be used in noting the progress or obstacles encountered in undertaking the necessary processing steps.

In addition to the data fields described above, PIEFZa may also chose to enter additional information into the database, such as names of board members, equipment inventories, hazardous waste streams, etc. However, these data are not critical to the operation of the core application tracking system.

The database should then allow PIEFZA staff to call up data on individual applications and generate reports of aggregate data. At a minimum, these reports should include:

- **Application processing progress**, including average processing times for each processing step over specified time periods, and flagging of all individual applications that have exceeded allowable processing times in any application step. Flags should automatically be sent to PIEFZA management and the staff member responsible for the application in question.
- **Investor summaries**, filtered by investor type, industrial estate, time period, applied vs. approved projects, industry, and investment nationality.
- **Employment summaries**, filtered by time period, industrial estate, applied vs. approved projects, industry, and investment nationality.
- **Investment summaries**, filtered by time period, industrial estate, applied vs. approved projects, industry, and investment nationality.

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- **Export summaries**, filtered by time period, industrial estate, applied vs. approved projects, industry, and investment nationality.
- **Utility requirements**, by industrial estate and industry.

After an investment is approved and begins operations, PIEFZA should survey investors on a regular basis to collect updated information on employment, utility requirement, re-investment, inputs, outputs, and exports. This information will be more detailed in some areas (especially labor force and production information) than the information required during the application phase. Once this information is also included in the database, additional reports can be generated, including:

- **Time series** data on growth in employment, production, and exports, by time period, industrial estate, industry, or investor.
- **Labor force composition** summaries, by industrial estate, skill level, and industry.
- **Input/output tables**, by industry and industrial estate.

A survey instrument is included in annex A. Where appropriate, this survey form should include information already on file with PIEFZA, with the investor being asked to correct any information that is inaccurate or has changed over time. At the survey stage, the need for environmental data collection is obviated by 1) monitoring plans already in place, and 2) actual data collection for utility consumption from the utility providers.

3.3 Future Tracking Module Development

The core application processing module described above and the subsequent periodic data collection activities it can support will suffice to enable PIEFZA to absorb increased volumes of more complex applications. It will also allow PIEFZA to delegate application processing responsibilities to more staff members without losing continuity in the process. However, as PIEFZA continues to develop over time, additional tracking system modules will be required.

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Permitting / Licensing. As PIEFZA expands its facilitation role into areas beyond registration and enterprise certification, new permitting and licensing functions will have to be added to the tracking database. PIEFZA is already working on MOUs to clarify its role in occupational health and safety permitting, and will likely expand its reach into areas such as construction permitting and operational licensing. The more complex PIEFZA's network of inter-departmental facilitation grows, the greater the need for an efficient system for managing and monitoring the activities of diverse individuals and agencies involved in this process will become. This module will not entail a large volume of additional raw data collection, but focus instead on PIEFZA's role in shepherding the applicant through IE/FZ-specific permitting procedures and building regulations as they are developed jointly with other PNA departments and ministries.

Investment Promotion. As PIFZA develops an aggressive, proactive investment promotion function, it will become necessary to link the investment application tracking system with an antecedent sales lead tracking system that allows PIEFZA to identify high-potential sales leads, pursue those leads through a targeted marketing campaign, and monitor PIEFZA's "conversion ratio" in translating potential leads into expressions of interest, site visits, and investment applications. The final link between the marketing and application modules will help to ensure a seamless marketing/application processing transition during which the investor remains confident that PIFZA is facilitating the investment to the greatest extent possible.

Investor Aftercare. Maintaining a relationship with the investor beyond licensing/permitting and manufacturing start-up is necessary for several reasons: it helps to harness existing investors as resources in ongoing marketing activities; assures that IE/FZ planning and expansion is closely aligned with current and potential investor demand; and allows PIEFZA to maximize re-investment by existing IE/FZ tenants as a source of FDI inflows. The investor aftercare module should track the progress of investors over time, incorporate and analyze data collected through periodic PIEFZA surveys, and integrate reinvestment opportunities with the investment promotion sales lead tracking module.

Performance Monitoring. As PIEFZA's workload increases, the organization will have to rely increasingly on statistically quantifiable performance indicators of both individual and organizational

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success in promoting investment into Palestine. At the organizational level, this module will build on the simple reporting functions of the core application processing module to measure processing delays and investment lead conversion ratios against expended resources. This institutional benchmarking will both support PIEFZA's budgetary support and help the organization to invest its resources in the most promising promotional markets and activities. At the individual level, this module will allow PIEFZA management to supervise staff, respond to marketing and processing bottlenecks, and reward staff in accordance with their contribution towards generating investment leads and translating them into demonstrable increases in FDI inflows and employment.

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Annex A: Basic Tracking Documents

The Services Group, Inc.

APPLICATION FOR INDUSTRIAL ESTATE / FREE ZONE ENTERPRISE CERTIFICATE

Part I: General Information

<i>Name of Investor (company or individual owner)</i>						Shaded Area For Use by PIEFZA Staff Only	
<i>Industrial Estate Name</i>			<i>Investment Enterprise Type (check one)</i> <input type="checkbox"/> Industrial Estate <input type="checkbox"/> Free Zone				
<i>Investor's Palestinian Company Registration Number</i> No: _____ Date: _____			<i>Investor's Nationality</i>			<i>Application Number</i> M - _____	
<i>Investor Type (check one)</i> <input type="checkbox"/> Single proprietorship <input type="checkbox"/> Partnership <input type="checkbox"/> Corporation						<i>Date Received by PIEFZA</i>	
<i>Investor's Official Representative – Name</i>				<i>Telephone Number</i>		<i>Received by</i>	
<i>Street Address</i>				<i>Fax Number</i>		<i>Date Received by SMENA</i>	
<i>City</i>		<i>Postal Code</i>		<i>Country</i>		<i>Electronic Mail</i>	
						<i>Received by</i>	
<i>Investor's Registered Capital (in US\$)</i>			<i>Investor's Paid-Up Capital (in US\$)</i>			<i>Request</i> <input type="checkbox"/> 1 st <input type="checkbox"/> 2 nd	
<i>Shareholders with more than 10% of Share Capital (for partnerships and corporations only)</i>							
Name		Nationality				Equity Share (%)	
1.							
2.							
3.							
4.							
5.							
<i>Partners or Corporate Officers (for partnerships and corporations only)</i>							
Name		Position		Nationality		Passport No.	
1.							
2.							
3.							
4.							
5.							

Part II: Technical Information

The information provided in this part of the application serves to evaluate whether the applicant qualifies for the industrial estate or free zone certificate based on the following criteria:

1. Does the proposed investment plan to engage in an activity that would have a negative impact on the security of Palestine? Prohibited activities include dealing in or manufacturing weapons, prohibited drugs or toxic materials, unlicensed radioactive materials, or any other substances illegal under the laws of the PNA and international conventions.
2. Will the proposed investment greatly overburden the existing infrastructure in the industrial estate or free zone? Investments within established industrial estates and free zones must be compatible with the design capacity of transportation infrastructure and utilities.
3. *For free zone enterprises only:* Will the proposed investment earn at least 80 percent of its total sales revenue from customers outside the Palestinian territory?

This part of the application also itemizes the equipment and machinery to be brought into the industrial estate or free zone on a duty-free and tax-free basis.

What are the Main Economic Activities to be Carried Out?		<div>Shaded Area For Use by PIEFZA Staff Only</div>	
1. 2. 3.			
How Much Land Do You Require? Under-roof: _____ m ² Open area: _____ m ²			
How Many People Do You Plan to Employ in the 1 st Year? Management: _____ Workers: _____		Primary ISIC Code Secondary ISIC Code Tertiary ISIC Code	
How Much Electricity Do You Require in Year 1? KW/ampere	How Much Potable Water Do You Require? m ³ /day	How Much Brackish Water Do You Require? m ³ /day	
Describe the Main Components of the Manufacturing Process to be Carried Out (use additional paper if necessary)			
In What Markets Will You Sell Your Production (as a percentage of total sales)? What Are the Main Export Countries? Gaza _____% West Bank _____% Israel _____% Export _____% Main Export Countries: 1. _____ 2. _____ 3. _____ 4. _____ 5. _____			
What Raw Materials/Inputs Will Be Used in the Production Process? (use additional paper if necessary)			
Material/Input	Quantity (per year)	Supplier Country	Value (US\$)
What Equipment and Machinery Will Be Brought into the Industrial Estate or Free Zone to Set Up Operation? (use additional paper if necessary)			
Type of Equipment	Number	Unit Price (US\$)	Origin Country Supplier Country

Part III: Environmental Information

The information provided in this part of the application serves to evaluate whether the proposed investment would have a seriously deleterious effect on the environment. Based on this information, PIEFZA will determine whether or not the proposed investment may represent environmental risks that will necessitate that either an Initial Environmental Assessment or and Environmental Impact Assessment of the proposed investment to be undertaken.

<i>List All Hazardous or Toxic Materials to be Used in the Production Process (use additional paper if necessary)</i>				Shaded Area For Use by PIEFZA Staff Only
Material	Chemical Composition	Quantity per Year	Liquid, Gas, or Solid?	<i>Application Type</i> <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <i>A: Approval Date</i> <i>B: IEE Submittal Date</i> <i>C: EIA Submittal Date</i> <i>IEE/EIA Approval Date</i>
<i>List All Hazardous or Toxic Wastes to be Produced in the Production Process (use additional paper if necessary)</i>				
Waste	Quantity per Year	Disposal Method		
<i>List All Non-Toxic Solid Waste to be Produced in the Production Process (use additional paper if necessary)</i>				
	Quantity per Year	Disposal Method		
Wood Paper Plastic Organic Material Glass Minerals Other: 1. _____ 2. _____ 3. _____				
<i>How Much Wastewater Do You Plan to Discharge (if more than 1m³/day)?</i> <div style="text-align: center;">m³/day</div>	<i>Which of the Following Attributes Does the Wastewater Discharge Have?</i> <div style="display: flex; justify-content: space-between;"> <div><input type="checkbox"/> Color</div> <div><input type="checkbox"/> Odor</div> <div><input type="checkbox"/> High Temperature</div> </div> <div style="display: flex; justify-content: space-between;"> <div><input type="checkbox"/> Suspended Material</div> <div><input type="checkbox"/> pH</div> <div><input type="checkbox"/> Oil and Grease</div> </div>			
<i>Describe Any Generated Waste or Foods that May Attract Insects (complete only if applicable)</i>				
<i>List Any Parts of the Production Process that Generate High Noise Levels (complete only if applicable)</i>				

[illegible]

The information provided in this part of the application helps PIEFZA to anticipate investor demand, monitor the progress of the Industrial Estate / Free Zone regime, and serve the investor community better. This information will be treated confidentially, and will not be used in determining whether or not to grant the Industrial Estate of Free Zone Certificate.

Part V: Supporting Documentation

Please attach the following documentation to this application:

- ☐ Notarized copy of the articles of association (for corporations only)
- ☐ Copies of identification (passport, driver's license, etc.) of shareholders and officer listed in Part I
- ☐ Memorandum of Understanding with the relevant industrial estate or free zone developer indicating that a suitable property has been identified and is available
- ☐ Power of attorney for the official representative listed in Part I, if any
- ☐ Copy of the application fee receipt

Part VI: Verification of Information

I certify that to the best of my knowledge, the information presented above and attached to this application is correct, and that the projections contained therein are realistic, given the information that is available at this time.

Name of Applicant

Signature

Date

INDUSTRIAL ESTATE / FREE ZONE ENTERPRISE FOLLOW-UP SURVEY

This survey is designed to help PIEFZA monitor the progress of the Palestinian Industrial Estate / Free Zone program, and to facilitate planning and development activities that meet the expectations of both existing and potential investors in Palestine. Please fill out the following form as completely and accurately as you can at this time.

Part I: General Information

<i>Name of Enterprise</i>	<i>Enterprise Registration No.</i>	<i>Name and Position of Person Completing the Survey</i>	
		Name:	Position:
<i>Below is a Summary of Your Enterprise, Based on PIEFZA's Database. Please Note Any Changes or Corrections.</i>			
Existing Information		Corrections (if any)	
Land Use (m ³)			
Under-roof	XXXX		
Open area	XXXX		
Sales (%)			
Gaza	XXXX		
West Bank	XXXX		
Israel	XXXX		
Export	XXXX		
Main Export Markets			
1.	XXXX		
2.	XXXX		
3.	XXXX		
4.	XXXX		
5.	XXXX		

Part II: Employment Information

Please Describe Your Current Work Force Composition

	Palestinian Workers		Foreign Workers		Total Shifts
	Male	Female	Male	Female	
Management					
Administrative					
Labor					

Part III: Investment Information

Please Describe Any Additional Capital Investment You Have Made During this Survey Period.

<i>What Is the Initial Fixed Capital Investment of the Project?</i>		<i>What Are the Sources of Financing for the Investment?</i>	
Land	_____ US\$	Equity	_____ US\$
Buildings	_____ US\$	Loans – Local	_____ US\$
Furniture	_____ US\$	Loans – International	_____ US\$
Equipment:		<i>If Financing Includes International Loans, what are the Country Sources?</i>	
Manufacturing	_____ US\$	Country	Loan Amount (US\$)
Transportation	_____ US\$		
Office	_____ US\$		

Part IV: Production Information*What is Your Projected Output This Year?*

Product	Quantity	Value (US\$)

What Raw Materials/Inputs Are Used in the Production Process? (use additional paper if necessary)

Material/Input	Quantity (per year)	Supplier Country	Value (US\$)
----------------	---------------------	------------------	--------------

Part V: Verification of Information

I certify that to the best of my knowledge, the information presented above and attached to this survey is correct, and that the projections contained therein are realistic, given the information that is available at this time.

Name_____
Signature_____
Date

PIEFZA Application Process and Tracking Parameters

Annex B: Existing PIEFZA Application Documents

The Services Group, Inc.
